

NEWS RELEASE



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THDA Board Responsive **Gulf Hurricanes Increase** **Construction Costs in Tennessee**

NASHVILLE (April 11, 2006) – The extraordinary damage caused by the hurricanes that battered the Gulf Coast in August 2005 has had wide-reaching effects. Material and labor costs have surged in the Southeast as Gulf region rebuilding continues. The Board of Tennessee Housing Development Agency (THDA) offered some relief to affordable housing developers working in Tennessee.

THDA expects to offer housing assistance to the victims of the recent tornadoes in West Tennessee. Details will be forthcoming.

The *Housing and Development Reporter* noted prices had been rising before Hurricane Katrina as a result of increased construction across the country, flat production of materials by existing plants, and an increased need for building supplies for recovery efforts in Florida following the 2004 hurricanes. Katrina further limited supplies by damaging gypsum wallboard and other construction material production plants in Louisiana and the Gulf region.

The THDA Board responded at its March meeting by offering developers some financial relief. Housing developers who had received awards of Low Income Housing Tax Credits in 2004 or 2005 were offered the opportunity to apply for “extraordinary relief” if certain criteria were in effect. Developers could apply for additional credits, or reduce the number of units being presented. Developments where financing had closed before August 28 were not eligible for additional credit. The Board felt those projects had been insulated from the labor and materials increases related to the hurricanes.

The federal Low Income Housing Tax Credit (LIHTC) was designed to encourage the construction and rehabilitation of rental housing for individuals and families of very low and low income. THDA administers the LIHTC in Tennessee. The state receives an allocation reflecting \$1.90, plus the cost of living adjustment specified in the tax credit law (Section 42), per Tennessee resident. Each year, THDA includes any unallocated credits from the previous year, credits returned during the previous year, and any allocation from a national pool of unused credit. In turn, developers apply for a reservation of those credits to support housing development costs. The credit is used to offset the federal income tax liability of the

development's owners. The program has allocated credits for the development of over 30,000 units in Tennessee since the program's creation by Congress in 1986.

"The LIHTC is the only tool offered by the federal government to encourage affordable rental housing development," said THDA Board Chair Eddie Latimer. "Developers know from THDA and others' research that the lack of affordable rental housing is interfering with Tennessee's growth, and the stability of its families. Looking from a business perspective, there are financial risks involved and a low profit margin for this type of housing. The Tax Credit makes it feasible. The extraordinary costs from the hurricanes increased the risks. I'm glad the Board showed leadership by offering the developers options."

The application deadline for the 2006 Extraordinary Relief Tax Credit was March 31, 2006. Applicants will have notification before April's end. A list of competitive 2006 tax credit applicants to which THDA anticipates issuing Reservation Notices will be posted to the Agency's website in early July.

More information about Tennessee Housing Development Agency, LIHTC and other housing programs, is available on-line at www.tennessee.gov/thda.